

Michigan Department of Treasury
496 (2-04)**Auditing Procedures Report**

Issued under P.A. 2 of 1988, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Ofc. of the Ottawa County Drain Commission	County OTTAWA
Audit Date 12/31/05	Opinion Date 3/10/05	Date Accountant Report Submitted to State: 6/30/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1988, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓
			✓

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 2330 EAST PARIS AVENUE SE, P.O. BOX 6547			
City GRAND RAPIDS	State MI	ZIP 49516-6547	
Accountant Signature <i>Rehmann Robson</i>		Date 6/30/06	

**OTTAWA COUNTY OFFICE OF THE
DRAIN COMMISSIONER
(a Component Unit of Ottawa County)**

Grand Haven, Michigan

FINANCIAL STATEMENTS

For The Year Ended December 31, 2005

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

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REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

March 10, 2006

Ottawa County Drain Commissioner
County of Ottawa
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER**, a component unit of Ottawa County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the **Ottawa County Office of the Drain Commissioner's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Ottawa County Office of the Drain Commissioner's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Ottawa County Office of the Drain Commissioner** as of December 31, 2005, and the respective changes in financial position thereof and the respective budgetary comparisons for the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The **Ottawa County Office of the Drain Commissioner** has not presented Managements Discussion and Analysis which the *Governmental Accounting Standards Board* has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Ottawa County Office of the Drain Commissioner's** basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

**STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET**

DECEMBER 31, 2005

	SPECIAL REVENUE		CAPITAL	DEBT
	CHAPTER 6	CHAPTER 20	PROJECTS	SERVICE
	DRAIN	DRAIN	DRAIN	DRAIN
	DRAIN	DRAIN	REVOLVING	DEBT SERVICE
<u>ASSETS</u>				
Cash and short-term investments	\$ 697,232	\$ 431,928	\$ 29,155	\$ 55,199
Special assessments receivable	28,474	-	-	-
Due from other funds	-	-	145,845	-
Due from other governmental units	171,751	11,775	-	371,716
Due from other Component Units	13,507	1,098	-	-
Capital assets net of accumulated depreciation	-	-	-	-
TOTAL ASSETS	\$ 910,964	\$ 444,801	\$ 175,000	\$ 426,915
<u>LIABILITIES</u>				
Accounts payable	\$ 12,595	\$ 15,283	\$ -	\$ -
Accrued interest payable	-	-	-	-
Due to other funds	126,527	26,703	-	-
Deferred revenue	126,813	-	-	348,040
Due to primary government	-	-	175,000	-
Long-term liabilities:				
Due within one year	-	-	-	-
Due after one year	-	-	-	-
TOTAL LIABILITIES	265,935	41,986	175,000	348,040
<u>FUND BALANCES/NET ASSETS</u>				
FUND BALANCES				
Unreserved:				
Designated for construction	-	402,815	-	-
Designated reported in:				
Capital Projects	-	-	-	-
Debt Service	-	-	-	78,875
Undesignated special revenue funds	645,029	-	-	-
TOTAL FUND BALANCES	645,029	402,815	-	78,875
TOTAL LIABILITIES AND FUND BALANCES	\$ 910,964	\$ 444,801	\$ 175,000	\$ 426,915
NET ASSETS				
Investment in capital assets, net of related debt				
Restricted for construction				
Restricted for maintenance				
Restricted for debt service				
Unrestricted				

The accompanying notes are an integral part of these financial statements.

OTHER FUNDS	TOTAL	ADJUSTMENTS	STATEMENT OF NET ASSETS
\$ 54,672	\$ 1,268,186	\$ -	\$ 1,268,186
-	28,474	-	28,474
7,560	153,405	(153,405)	-
-	555,242	-	555,242
-	14,605	-	14,605
-	-	13,719,748	13,719,748

\$ 62,232	\$ 2,019,912	13,566,343	15,586,255
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\$ -	\$ 27,878	-	27,878
-	-	3,369	3,369
175	153,405	(153,405)	-
-	474,853	(421,353)	53,500
-	175,000	-	175,000
-	-	62,600	62,600
-	-	325,800	325,800
175	831,136	(182,989)	648,147

-	402,815	(402,815)	-
42,663	42,663	(42,663)	-
-	78,875	(78,875)	-
19,394	664,423	(664,423)	-
62,057	1,188,776	(1,188,776)	-
\$ 62,232	\$ 2,019,912		

13,331,348	13,331,348
402,815	402,815
42,663	42,663
78,875	78,875
1,082,407	1,082,407
\$ 14,938,108	\$ 14,938,108

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

***Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets
on the Statement of Net Assets***

DECEMBER 31, 2005

Fund balances - total governmental funds	\$ 1,188,776
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	14,866,658
Deduct - accumulated depreciation	(1,146,910)
Long term receivables are recorded as revenue when payment is received on the governmental fund statements and as revenue when a receivable occurs on the statement of activities.	
Add - deferred revenue related to long term receivables	421,353
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds payable	(388,400)
Deduct - accrued interest on bonds and notes payable	(3,369)
Net assets of governmental activities	<u>\$ 14,938,108</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2005

	SPECIAL REVENUE		CAPITAL	DEBT
	CHAPTER 6	CHAPTER 20	PROJECTS	SERVICE
	DRAIN	DRAIN	DRAIN	DRAIN
			REVOLVING	DEBT SERVICE
EXPENDITURES/EXPENSES				
Construction and maintenance	\$ 493,450	\$ 44,377	\$ -	\$ -
Depreciation	-	-	-	-
Principal on long-term bonds and notes	7,600	-	-	305,000
Interest and fees	2,721	-	-	28,003
TOTAL EXPENDITURES/EXPENSES	503,771	44,377	-	333,003
PROGRAM REVENUE				
Capital Grants/Special assessments	415,265	16,740	-	118,653
Net program income				
GENERAL REVENUES				
Interest	15,732	9,190	-	3,295
Revenues over (under) expenditures	(72,774)	(18,447)	-	(211,055)
Donated capital assets	-	-	-	-
NET CHANGE IN FUND BALANCES/NET ASSETS	(72,774)	(18,447)	-	(211,055)
Fund balance/net assets:				
Beginning of year, as restated	717,803	421,262	-	289,930
End of year	\$ 645,029	\$ 402,815	\$ -	\$ 78,875

The accompanying notes are an integral part of these financial statements.

OTHER FUNDS		TOTAL		ADJUSTMENTS	STATEMENT OF ACTIVITIES
\$	28,702	\$	566,529	\$ (63,525)	\$ 503,004
	-		-	437,402	437,402
	-		312,600	(312,600)	-
	-		30,724	(1,861)	28,863
	28,702		909,853	59,416	969,269
	27,252		577,910	(421,611)	156,299
					(812,970)
	2,554		30,771		30,771
	1,104		(301,172)		
	-		-	3,425,708	3,425,708
	1,104		(301,172)	2,944,681	2,643,509
	60,953		1,489,948	10,804,651	12,294,599
\$	62,057	\$	1,188,776	\$ 13,749,332	\$ 14,938,108

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

***Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities***

FOR THE YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - total governmental funds	\$ (301,172)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as capital assets (infrastructure) and depreciated

Add - capital outlay	63,525
Deduct - depreciation expense	(437,402)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	312,600
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The contribution of infrastructure is not recorded on the fund statements as a revenue.

Add - donated capital assets	3,425,708
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Some revenues reported in the funds provide current financial resources and therefore are not reported as revenues in the statement of net assets

Deduct - assessment revenue recorded in the fund statements as revenue when measurable and available and as revenue when levied on the statement of activities	(421,611)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	<u>1,861</u>
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Change in net assets of governmental activities	<u><u>\$ 2,643,509</u></u>
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The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - AMENDED BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2005

	CHAPTER 6 DRAIN			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES				
Special assessments	\$ 935,000	\$ 935,000	\$ 415,265	\$ (519,735)
Interest	25,000	20,000	15,732	(4,268)
TOTAL REVENUES	960,000	955,000	430,997	(524,003)
EXPENDITURES				
Construction	842,387	842,387	493,450	348,937
Principal on long-term bonds and notes	38,600	69,600	7,600	62,000
Interest and fees	-	2,721	2,721	-
TOTAL EXPENDITURES	880,987	914,708	503,771	410,937
REVENUES OVER (UNDER) EXPENDITURES	79,013	40,292	(72,774)	(113,066)
FUND BALANCES, BEGINNING OF YEAR	717,803	717,803	717,803	-
FUND BALANCES, END OF YEAR	\$ 796,816	\$ 758,095	\$ 645,029	\$ (113,066)

The accompanying notes are an integral part of these financial statements.

CHAPTER 20 DRAIN

				VARIANCE WITH AMENDED BUDGET POSITIVE (NEGATIVE)
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL		
\$ 525,000	\$ 525,000	\$ 16,740	\$	(508,260)
15,000	10,000	9,190		(810)
540,000	535,000	25,930		(509,070)
525,000	525,000	44,377		480,623
-	-	-		-
-	-	-		-
525,000	525,000	44,377		480,623
15,000	10,000	(18,447)		(28,447)
421,262	421,262	421,262		-
\$ 436,262	\$ 431,262	\$ 402,815	\$	(28,447)

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Ottawa County Office of the Drain Commissioner, referred to as the "Drain Commission", is a discrete component unit of Ottawa County, Michigan and is used to track the collections and expenditures related to construction and maintenance of drainage districts throughout the County. Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The statutory drainage board of Chapter 20 drainage districts consists of the Drain Commissioner, the chairman of the County Board of Commissioners and the chairman of the County Finance Committee. The statutory drainage board for Intercounty drainage districts, Chapter 6 and 21, consists of the State Director of Agriculture and the Drain Commissioner of each county in the drainage district. The County Drain Commissioner has sole responsibility to administer the drainage districts established pursuant to Chapters 4 and 8 of the Drain Code. The drainage board or drain commissioner, on behalf of the drainage districts, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

The Drain Commission is considered to be a component unit of the County because the County has the ability to significantly influence operations and has accountability for fiscal matters.

The financial statements of the Drain Commission are included in the County's financial statements as a discrete component unit.

Basis of Presentation

The Drain Commission uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Drain Commission reports the following fund types:

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) which are legally restricted to be expended for specific purposes.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by program revenues (special assessments) and grant revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

A combined financial statement is provided for the governmental fund balance sheet and the statement of net assets, and the governmental fund revenues, expenditures and changes in fund balances and the statement of activities. The following funds are considered to be major for financial reporting purposes:

- The Chapter 6 Drain Special Revenue Fund is the government's primary operating fund. This fund is used to account for the maintenance and repair activities of numerous drains which can assess individual land owners but which are funded from assessments of local governments the majority of the time.
- The Chapter 20 Drain Special Revenue Fund is used to account for the construction and maintenance of numerous drains which can be funded exclusively by the assessment of other municipal governments.
- The Drain Revolving Capital Projects Fund is used to account for the construction activity of drains which is subsequently reported in the other drain funds. This fund provides short term financing for drain activities which is subsequently reimbursed by the other drain funds.
- The Drain Debt Service Fund is used to account for the accumulation of resources for the payment of principal, interest and other fees on long-term debt.

Measurement Focus Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (statement of net assets and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Governmental fund financial statements (governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this 60 day criteria is special assessment revenue which is recognized as revenue when related debt is expected to be liquidated within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

Grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Cash and Short-term Investments

Cash and short-term investments consist of demand deposits as well as short-term investments with an original maturity of three months or less and are carried at fair value.

Capital Assets

Capital assets, which include infrastructure, are reported in the government-wide statements (statement of net assets and statement of activities). Infrastructure assets are defined by the Drain Commission as assets with an initial, individual cost of more than \$25,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Infrastructure assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of governmental fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund total column. The amount reported for infrastructure includes only assets added beginning in 2001.

Depreciation is recorded over the estimated useful lives (30 years for drain infrastructure) of the assets, using the straight-line method.

Due to and Due From Other Funds, Ottawa County and Other Component Units

The Drain Commission has occasional transactions between funds, with Ottawa County and with other Ottawa County Component Units to finance construction, for debt service and for goods provided or services rendered.

These receivables/payables are classified as due from/to other funds, Primary Government or other Component Units as applicable on the balance sheet of the Drain Commission.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Deferred Revenue

Deferred revenue has been recorded for the amount of special assessments receivable and amounts due from other governmental units which are due in subsequent fiscal years. Deferred revenue is also recorded for unearned grants and prepaid assessments.

Long-Term Obligations

In the statement of net assets, long-term debt is reported as a liability.

Budgetary Process

The Drain Commission is under formal budgetary control. Formal budget integration is employed as a management control device during the year. The Drain Commission's budget is adopted by the Ottawa County Board of Commissioners in accordance with Public Act 621, the Michigan Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The budget, as presented in the accompanying statement of revenues, expenditures, and changes in fund balance, budget and actual was prepared on the modified accrual basis of accounting consistent with the statement of governmental fund revenues, expenditures, and changes in fund balance of the Drain Commission. The Drain Commission does not use encumbrances in its accounting system.

Budgetary control over expenditures is maintained on a line item basis. A separate budgetary report is prepared which demonstrates compliance at the legal level of control and is available to the public in the County Clerk's office. Expenditures may not legally exceed budgeted amounts. All budget appropriations lapse at the end of each fiscal year unless specific Board action is taken.

2. CASH AND SHORT-TERM INVESTMENTS

The cash and short-term investments of the Drain Commission are on deposit with the County of Ottawa. The County maintains pooled checking and investment accounts as well as separate money market accounts which represent the total of each funds' cash and short-term investment balances. As such, it is not possible to segregate the Drain Commission's cash and short-term investments into the separate risk categories required by Governmental Accounting Standards Board Statement 40. Short-term investments of the County consist primarily of certificates of deposit, government securities and mutual funds and are carried at fair value.

Investments

Statutes authorize the Drain Commission to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997

3. SPECIAL ASSESSMENTS

The Drain Commission may levy special assessments to cover the costs of construction and debt associated with work in a drainage district. The amount is determined by September 1 and is added to the December tax bill. The special assessments become an enforceable lien on property as of December 1. Taxes are levied on December 1, and are payable by February 28. The cities and townships within the County bill and collect the assessments for the County. Special assessments in the governmental funds have been offset by deferred revenue where applicable. A property owner may pay off an assessment early or pay that portion due for a particular year.

4. CAPITAL ASSETS

The following changes in capital assets occurred during the year:

	Balance January 1, 2005	Additions (Deletions)	Balance December 31, 2005
Infrastructure	\$11,377,425	\$3,489,233	\$14,866,658
Accumulated depreciation on infrastructure	(709,508)	(437,402)	(1,146,910)
	<u>\$10,667,917</u>	<u>\$3,051,831</u>	<u>\$13,719,748</u>

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

5. DEBT

Long-term Debt

Long-term debt consists of various notes and bonds, described as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bliss Creek Intercounty Drain Drainage District					
Bliss Creek Intercounty Drain Bonds, Series 1995, with interest ranging from 4.0% to 5.0%, due annually through May 1, 2006	\$ 60,00	\$ -	\$ (30,000)	\$ 30,000	\$30,000
Dayton Drain District					
Special assessment note Series 2004, with interest at 4.57%, due annually through June 15, 2014	76,000	-	(7,600)	68,400	7,600
Vincent Drain Drainage District					
Vincent Drain Bonds, Series 1996, with interest ranging from 7.0% to 5.2%, due annually through June 1, 2016	<u>565,000</u>	<u>-</u>	<u>(275,000)</u>	<u>290,000</u>	<u>25,000</u>
Total	<u>\$701,000</u>	<u>\$ -</u>	<u>\$(312,600)</u>	<u>\$388,400</u>	<u>\$62,600</u>

Maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 62,600	\$ 20,304
2007	32,600	17,819
2008	32,600	16,066
2009	32,600	14,274
2010	32,600	12,465
2011-2015	165,400	34,021
2016	<u>30,000</u>	<u>915</u>
Total	<u>\$388,400</u>	<u>\$115,864</u>

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

6. INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

	Due From Other Funds		Due to Other Funds
Capital Projects Funds:		Special Revenue Funds:	
Drain Revolving	\$145,845	Chapter 6 Drain	\$126,527
Drain Revolving		Chapter 20 Drain	26,703
Maintenance	7,560	Chapter 21 Bliss-Drain	175
	<u>\$153,405</u>		<u>\$153,405</u>

Interfund balances primarily reflect loans made from funds with cash and short-term investments to those requiring temporary cash flow needs.

7. RELATED PARTY TRANSACTIONS

The Drain Commission assesses the Ottawa County Road Commission (a component unit of Ottawa County) and Ottawa County (the primary government of which the Drain Commission is a component unit) for drain projects. During 2005 the following assessments were paid to the Drain Commission by:

Ottawa County	<u><u>\$15,218</u></u>
Ottawa County Road Commission	<u><u>\$24,968</u></u>

8. PRIOR PERIOD ADJUSTMENT

The activities and balances of the Spring Lake Lake Board and Lloyd's Bayou Board were recorded within prior Office of the Drain Commissioner audit reports. Based on guidance provided by the GASB it was determined that the board is not required to be included in the Office of the Drain Commissioner audit report. The result of this change was to decrease beginning fund balance in the Chapter 6 Drain by \$62,000.

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NONMAJOR GOVERNMENTAL FUNDS

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2005

	SPECIAL REVENUE	CAPITAL PROJECTS	
	CHAPTER 21	DRAIN	
	DRAIN -	REVOLVING	
	BLISS	MAINTENANCE	TOTAL
<u>ASSETS</u>			
Cash and short-term investments	\$ 19,569	\$ 35,103	\$ 54,672
Due from other funds	-	7,560	7,560
 TOTAL ASSETS	 \$ 19,569	 \$ 42,663	 \$ 62,232
 <u>LIABILITIES AND FUND BALANCES</u>			
 LIABILITIES			
Due to other funds	\$ 175	\$ -	\$ 175
 TOTAL LIABILITIES	 175	 -	 175
 FUND BALANCES			
Unreserved:			
Designated for maintenance	-	42,663	42,663
Undesignated	19,394	-	19,394
 TOTAL FUND BALANCES	 19,394	 42,663	 62,057
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 19,569	 \$ 42,663	 \$ 62,232

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2005

	SPECIAL REVENUE	CAPITAL PROJECTS	
	CHAPTER 21 DRAIN - BLISS	DRAIN REVOLVING MAINTENANCE	TOTAL
REVENUES			
Special assessments	\$ 27,252	\$ -	\$ 27,252
Interest	491	2,063	2,554
TOTAL REVENUES	27,743	2,063	29,806
EXPENDITURES			
Construction	28,702	-	28,702
NET CHANGE IN FUND BALANCES	(959)	2,063	1,104
FUND BALANCES, BEGINNING OF YEAR	20,353	40,600	60,953
FUND BALANCES, END OF YEAR	\$ 19,394	\$ 42,663	\$ 62,057